Proposal for Mandatory Assistance by Banks to Sick Companies

2343. PROF. NAUNIHAL SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government are considering a proposal for making it mandatory for banks to provide assistance to sick companies;

(b) if so, the reasons for credit decisions being taken by Government and not by banks themselves;

(c) whether it is a fact that due to such a policy of Government the public sector banking system came to the brink of bankruptcy by the late 80's; and

(d) if so, the credit loss during the last three years.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) No, Sir. When sick industrial companies are referred to the Board for Industrial and Financial Reconstruction (BIFR), banks extend need based support and allow 'holding-on' operations on a case to case basis. Commercial Banks have been advised by the Reserve Bank of India that they should not abruptly stop the credit facilities to such units but should exercise their judgement in regard to continuance of the 'holding-on' operations.

(b) to (d) Do not arise.

Assistance by Small Industries Development Bank of India

2344. SHRI K.M. KHAN: Will the Minister of FINANCE be pleased to state:

(a) whether the Small Industries Development Bank of India proposes to provide assistance under technology development and modernisation and also under ISO 900 series certification scheme etc.;

(b) if so, the details thereof with criteria fixed for the same;

(c) whether such an assistance will make all round development of small scale industrial units of the country; and

(d) if so, the details thereof and if not, the reasons therefor?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) The Small Industries Development Bank of India (SIDRI) has reported that it has been operating schemes of direct assistance for:—

(i) acquisition of ISO 9000 series certification by small scale industrial (SSI) units with effect from September 15, 1994;

(ii) Technology Development and Modernisation Fund (TDMF) with effect from April 24, 1995.

SIDBI has decided to extend the above mentioned schemes under its refinance mechanism also through all primary lending institutions (except Regional Rural Banks) with effect from July 25, 1996.

(b) The salient features of the scheme of direct assistance for acquisition of ISO 9000 series certification by SSI units, are: (i) Assistance is provided to existing industrial concerns in the SSI sector having a good record of past performance and sound financial position; (ii) Units should not be in default to institutions/banks; (iii) A minimum promoters contribution of 15% of the project cost is required; (iv) The amount of loan is need based; and (v) The existing rate of interest is 16.5% per annum payable quarterly and repayment period of maximum five years including a moratorium upto one year.

The salient features of the scheme of direct assistance under TDMF for SSI units are: (i) Assistance is provided to SSI units (including ancillary units) which go in for modernisation/ technology upgradation; (ii) Outlay on land and building should not exceed 25% of the outlay on modernisation/technology upgradation programme; (iii) Units should be in operation atleast for a period of three years; (iv) Units should not be in default to institutions/banks; (v) A minimum promoters contribution of 20% of the cost of project is required; (vi)The rate of interest is the prime lending rate of SIDBI (at present 16.5%) and (vii) Repayment period normally not exceeding five year including a moratorium upto one year.